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RV BUSINESS

DECEMBER 18, 1989

Looking Back At the '80s: a Time of Maturing

The RV industry, if surveyed on the subject at this point in time, probably wouldn't give the 1980s rave reviews. Afterall, the '80s were born in the final throes of a recession, never rebounded with the kind of big sales numbers that many veterans had expected and are closing with the disappointing market of 1989.

That, some would argue, is the kind of decade many RV manufacturers, suppliers and dealers could do without.

Yet other industry pundits – noting that sales in the decade's last year were well ahead of those of its first – choose to view things in a more positive light.

They, instead, will remember the 1980s as a time of industry maturation, of diminished volatility, of increased marketing sophistication and remarkable product improvements.

They especially stress how the industry weathered, and learned from, the daunting recession that opened the decade. RV shipments dropped from a robust 526,300 units in 1978 to a dismal 181,400 units in 1980, when a 10.7% inflation rate and 22% interest rates meant that even consumers with excellent credit ratings sometimes had difficulty getting financing.

One industry veteran expressed his frustration with the "malaise" that opened the decade by blaming the Carter administration. "Ordering would stop for

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SERVICE TRAINING: A new crop of service-training programs have earned dealer praise, inspiring RVIA to embark on an ambitious, technical institute. See page 22.

Fleetwood to Buy Coleman Co.'s Fold-down Division

Elden L. Smith, senior vice president of the RV Group of Fleetwood Enterprises Inc., Riverside, Calif., announced Nov. 28 at the 27th Annual National RV Trade Show in Louisville, Ky., that "we have signed a letter of intent for the acquisition of the Coleman Camping Trailers Division, Somerset, Pa. We intend to operate it as a separate division of the RV Group with no change in management or philosophy."

Smith pointed out that Coleman folding camping trailers have a market share of 31%, making them the No. 1 manufacturer of fold-downs. "We hope the resources of Fleetwood will further enhance their opportunities," he said.

Smith added that Fleetwood intends to complete the acquisition by Dec. 31. Δ

Coast Distribution Buys Mohawk

Coast Distribution Systems, San Jose, Calif., a dominant RV, marine and mobile-home distributor, has acquired Mohawk Trailer Supply Inc., Schenectady, N.Y.

Coast Chairman Tim McGuire confirmed that Coast had signed a definitive agreement with Mohawk President Eivion Williams and expected to complete the acquisition by the first week in January. As part of the deal, whose terms were not disclosed, Williams will be moving to San

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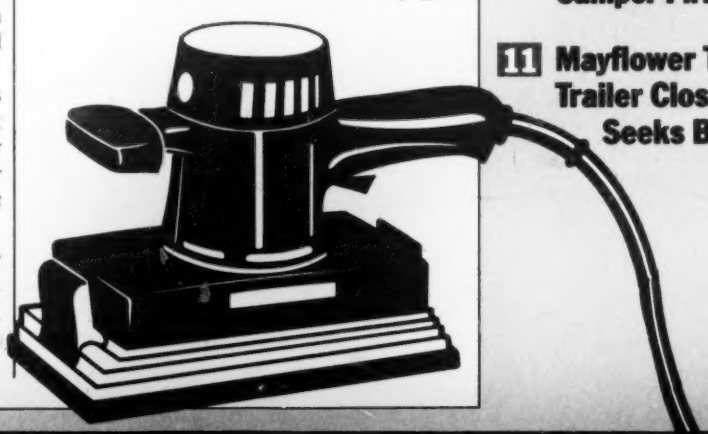

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7 Winnebago Opens RV Complex in Shopping Mall

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8 WDA Names Gear President

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9 Travelmaster Merges With Sportscoach

10 Studebaker Coachworks Buys Roman Wheels

11 Industry Veteran Reopens Truck-Camper Firm

11 Mayflower Travel Trailer Closes, Seeks Buyer

RV BUSINESS

VOLUME 40, NUMBER 18 | DECEMBER 18, 1989 | TWO DOLLARS

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MOON, WAVICE, & THE GREAT
LAKES RV ASSOC. DEDICATE
THE PLANTING OF THESE TREES
TO FUTURE GENERATIONS.
SEPTEMBER 16, 1989

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COVER ILLUSTRATIONS: KAREN BELL

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Service Training for the '90s ____ 22
As the 1980s close, a bevy of new service-training programs are earning the praise of RV dealers and technicians, which has inspired RVIA to initiate the industry's most ambitious, technical-education effort to date: the National Recreation Vehicle Training Institute.

Show Seminars ____ 31
For many RV-show attendees, the seminar programs may just be icing on the cake, yet planners agree that the right seminar "icing" can help boost show attendance. Watch for trends to more "big name" speakers and expanded educational programs tailored to industry demands.

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SEPTEMBER: NOT THE WORST OF TIMES

MORTON J. MARCUS

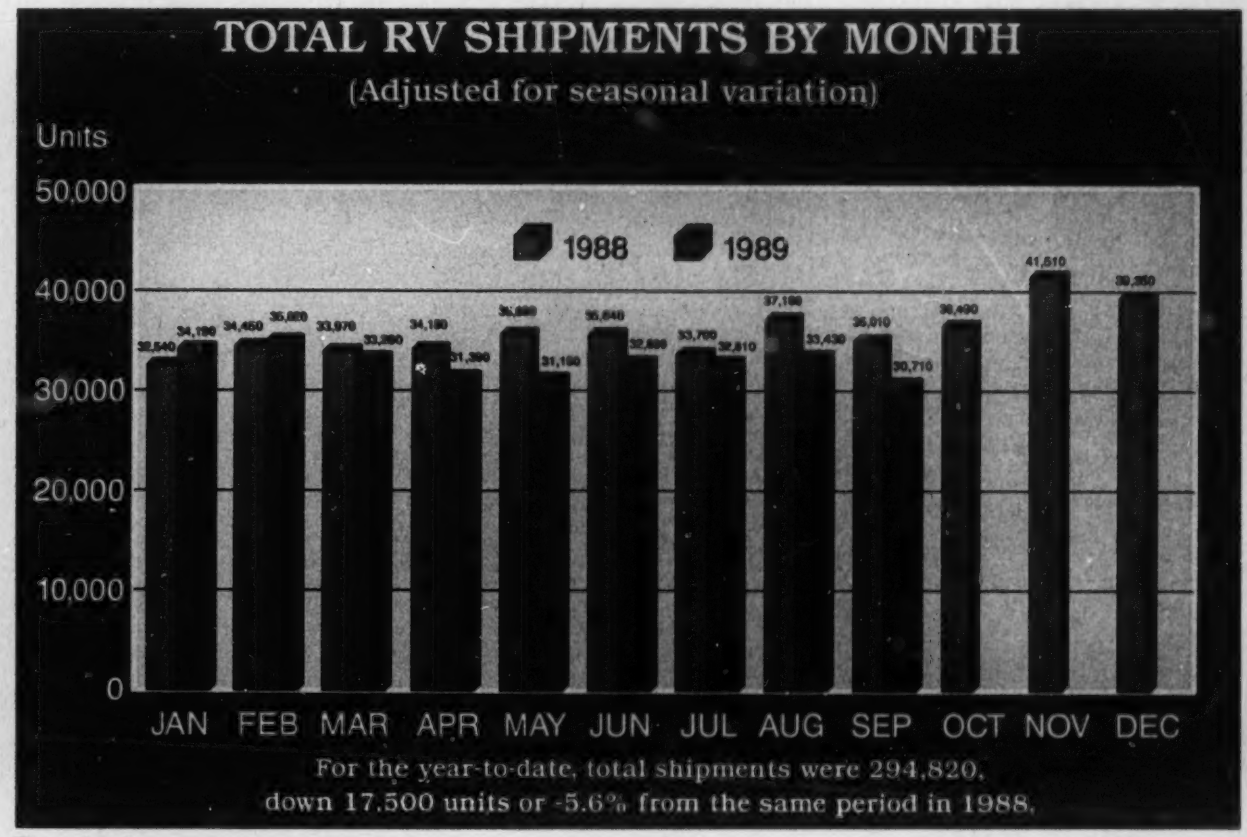

Figure 1

People in the RV industry, like all other Americans, enjoy their numbers, whether football statistics, weather data or shipment figures. Good news or bad, there is an urge to have every change quantified so that the numbers can be displayed, discussed, dissected and disputed.

Give us a wonderful event or a disaster, and we need to know how it compares with all previous such occurrences. Was this earthquake the biggest ever? Did this hurricane exceed the one we had last time around? Did that home-run hit fly longer than the one Mickey Mantle hit in Washington against the Senators?

These days, the RV industry is asking similar questions about shipment figures. How bad is it? When, if ever, was it worse? In effect, were there ever people who experienced similar conditions?

After all, if we can establish that there was never a worse time, then we are special as witnesses and survivors of these times; somehow there is comfort in knowing that we are experiencing the worst times that mankind has ever had. It is an exercise in comparative, competitive hand-wringing.

From Figure 1, it can be seen that September's total RV shipments, adjusted for normal seasonal variations, were the lowest seen in 1988 or 1989. In fact, you would have to go back 40 months, to May 1986, to find a single month with a level as low as the 30,710 units reported in September '88.

After moving up in August, total shipments took a nosedive in September, dropping nearly 4,300 units, or 12.3%, from September 1988. At 1989's three-quarter mark, shipments were thus down by more than 17,500 units, or 5.6%, from the same point in time a year earlier. This deficit is roughly equivalent to running two weeks behind the pace of 1988. Alternatively, the 1989 shortfall for the year-to-date was about the same as closing 27 minutes earlier each work day in 1989 than in 1988.

The Detailed View

Yet, moaning and wailing based on September's total shipments would be ill-founded. The big decline of September was all in one area: van conversions, which dropped by more than 2,800 units (15.7%) from August. Figure 3 clearly indicates that towable shipments were unchanged, and motorhomes as a group even realized a small advance.

Although few would be satisfied with a flat-to-slow growth environment, the evidence was clear that the industry was *not*

GRAPHICS: CUSTOM COLOR VISUALS

MARKET SHARE BY TYPE OF UNIT
(Year-to-date, adjusted for seasonal variation)

	1989	1988
TOTAL RVs	100.00	100.00
Travel Trailers:		
Conventional	13.58	13.96
Park Models	1.97	1.78
Fifth-wheels	7.41	7.50
Folding Camping Trailers	8.43	10.10
Truck Campers	2.55	2.61
TOTAL TOWABLES	33.94	35.96
Motorhomes:		
Class A	9.24	9.95
Class B Van Campers	1.32	1.21
Class C:		
Minis	4.52	5.06
Low Profiles	0.40	0.50
Micro-minis	0.60	0.60
TOTAL MOTORHOMES	16.08	17.32
Multiuse Van Conversions	49.97	46.72

Percentages may not add to total because of rounding.

Figure 2

falling off the edge of the earth.

For example, after months of poor performance, folding camping trailers led all other towables by advancing a modest 200 units, or 7.3%, in September, although this gain was offset by declines in travel trailers. Only Class C minimotorhomes declined in the motorized group in September; minis achieved the distinction of experiencing their lowest level of shipments in the past four years.

Van conversions were still running marginally ahead of last year's pace, nearly 1,400 units up for the year by September. Nonetheless, they had not been as low as this September's level since March 1988.

Figure 2 shows that, for the year-to-date, the weakness in the industry was widespread. Towables were down nearly 11% for the first nine months compared with a year ago, and motorhomes were off by more than 12%. Still, the declines of folding camping trailers accounted for nearly 55% of the shortfall in towables and more than 38% of the deficit in total shipments for the year-to-date.

After topping the 50% mark in market share for two months, the September decline in van-conversion shipments pushed those popular units once more below the halfway mark. For the year-to-date, as seen in Figure 2, van conversions hovered just below 50%, after gaining 3.25% in market-share points during 1989.

About three-fifths of the market gain by conversions was at the expense of towable units; to be more specific, more than half of the market-share gains of van conversions have been wrung from folding camping trailers.

A Quarterly View

By studying the past 15 quarters, since the beginning of 1986, we can put 89's July-to-September figures in perspective.

Total shipments in the most recent quarter ranked ninth among the last 15 quarters. At 96,950 units, the third quarter of 1989 was 17.4% below the peak quarter, which ended last year at 117,340 units, but was only 4% off the bottom second quarter of 1986. This tells us that this recent quarter has not been unusual in total volume.

For motorhomes, however, the picture was not pleasant. Total motorhome shipments had their worst three months in the quarter just past. Not only were motorhome shipments, as a group, at their lowest quarterly level of the past four years, but quarterly shipment levels of Class B van campers, and Class C minis and low-profile units all ranked 15th for the past 15 quarters. Micro-minis did only a bit better at 14th place.

Towable shipments in the third quarter of 1989 did somewhat better, ranking 11th. They rested about 13% below their peak in the second quarter of '88 and close to 9% above the bottom level in the second quarter of 1986. Within the towables group, truck campers fared best, ranking eighth, or a full 50% above their low point in the first quarter of '86 and only 10% off their high in the third quarter of 1988.

The best record was that of van-conversion shipments. This past quarter was the third highest for those units in the past four years, about 18% above their low in the fourth quarter of '86 and 18% below the high of the fourth quarter of '88.

The range in numbers for the past 15 quarters is also of interest. The difference between the top quarter for conventional travel trailers and their lowest quarter was less than 2,700 units. This means that the best quarter (the first quarter of 1987) was only 20% higher than the worst quarter (the third quarter of '89). No other model type had such a small spread between its best and worst quarters. For the entire industry, the range was 24,150 units (from the low in the second quarter of '86 to the high in the fourth quarter of '88), or nearly 26%. Hence, a difference of just 370 units a day in shipments was the difference between the best and the worst quarters.

All of these data confirm that parts of the industry are experiencing low levels of shipments. Yet only motorhomes, as a group, are at a quarterly low point, and only Class C minis among the motorhomes had their worst month in recent years. Hence, those who would brag about how they have weathered "the worst of times" will have to wait for their moment of joy. The rest of us would just as well not see such delight. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS BY TYPE OF UNIT
(Adjusted for seasonal variation)

Type of Units	Sep 1989	Change From Aug 1989 Number	%	Year-to-Date 1989	1988	Change Number	%
TOTAL RVs	90,710	-2,720	-8.1	294,820	312,350	-17,530	-5.6
Travel Trailers:							
Conventional	4,450	-30	-0.6	40,020	43,610	-3,590	-8.2
Park Models	500	-130	-20.2	5,800	5,570	230	4.1
Fifth-wheels	2,330	-10	-2.5	21,850	23,420	-1,570	-6.7
Folding Camping Trailers	2,870	200	7.3	24,860	31,560	-6,700	-21.2
Truck Campers	800	10	1.6	7,530	8,160	-630	-7.7
TOTAL TOWABLES	10,950	0	0.0	100,070	112,310	-12,240	-10.9
Motorhomes:							
Class A	2,670	190	7.6	27,230	31,080	-3,850	-12.4
Class B Van Campers	460	0	0.7	3,660	3,760	100	-2.6
Class C:							
-Minis	1,150	-160	-11.7	13,330	15,810	-2,470	-15.6
-Low Profiles	120	50	74.5	1,190	1,550	-360	-23.3
-Micro-minis	200	10	3.6	1,790	1,890	-100	-5.3
TOTAL MOTORHOMES	4,590	100	2.2	47,410	54,090	-6,680	-12.4
Multiuse Van Conversions	15,170	-2,820	-18.7	147,330	146,940	1,390	0.9

Figure 3

AUGUST SALES TAKE A BREATHER

THOMAS WALWORTH

East North Central: Illinois, Indiana, Michigan, Ohio, Wisconsin; **Mountain**: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming; **Northeast**: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont; **Pacific**: Alaska, California, Oregon, Washington, Hawaii; **South Atlantic**: Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia; **West North Central**: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota; **South Central**: Texas, Oklahoma, Arkansas, Louisiana, Tennessee, Mississippi, Alabama.

The retail-registration numbers for August 1989 showed that RV-trailer sales volume was down by 11.2% compared with August of last year, while the motorhome market was down by 13.8% from August 1988. Those August numbers represented a 1.26% improvement in RV-trailer sales compared with July 1989, but the motorhome market was off by 29.5% from July.

As noted above, the RV-trailer market as a whole was down 11.2%, or 1,355 units, in August when compared with August 1988.

Figure 1 lists the seven regions of the country ranked by the percent of change in RV-trailer sales from the previous August. In the leading South Central region, which had the only percentage increase in sales, Alabama reported the largest gain in August. In the trailing South Atlantic region, South Carolina had the largest percentage decline when compared with August 1988.

For the year-to-date, the RV-trailer market in August was down by 8.5%, or 7,758 units, when compared with sales for the first eight months of 1988.

Figure 2 shows the regional rankings based on the percentage change in year-to-date trailer sales compared with 1988. In the top South Central region, Louisiana had the largest percentage gain for the year-to-date. The Northeast region was ranked last, with Maine having the largest decline.

Meanwhile, the motorhome market was down 13.8%, or 828 units, in August when compared with August 1988.

Figure 3 provides the rankings of the seven national regions based on the percentage change in motorhome sales when compared with last August. The South Central region once more led the way, with Oklahoma experiencing the largest percentage gain from August 1988. In the bottom-ranked South Atlantic region, West Virginia came in with the largest decline.

Year-to-date numbers showed that the motorhome market was down by 7.4%, or 3,190 units, by August when compared with last year's January-August cumulative sales.

The seven national regions are ranked in Figure 4 according to the percentage change in motorhome sales from the same eight months of 1988. The South Central region continued at the top, with Texas

RV TRAILERS, AUGUST '89

Aug. '89 Rank	Region	% of Change From Aug. '88	July '89 Rank
1	S. Central	13.0	2
2	Mountain	1.0	1
3	W.N. Central	–10.3	3
4	Northeast	–10.8	6
5	E.N. Central	–11.9	7
6	Pacific	–20.6	4
7	S. Atlantic	–22.8	5

Figure 1

RV TRAILERS, YEAR-TO-DATE

Aug. '89 Rank	Region	% of Change Year-to-date	July '89 Rank
1	S. Central	– .2	1
2	Mountain	–3.7	2
3	W.N. Central	–7.5	6
4	Pacific	–8.6	3
5	S. Atlantic	–9.5	4
6	E.N. Central	–11.0	5
7	Northeast	–13.0	7

Figure 2

MOTORHOMES, AUGUST '89

Aug. '89 Rank	Region	% of Change From Aug. '88	July '89 Rank
1	S. Central	.5	5
2	E.N. Central	–7.3	4
3	Pacific	–9.9	1
4	Northeast	–13.8	7
5	W.N. Central	–17.1	2
6	Mountain	–25.5	3
7	S. Atlantic	–27.9	6

Figure 3

MOTORHOMES, YEAR-TO-DATE

Aug. '89 Rank	Region	% of Change Year-to-date	July '89 Rank
1	S. Central	– 2.5	3
2	W.N. Central	– 5.0	2
3	Pacific	– 5.7	1
4	E.N. Central	– 6.3	4
5	Northeast	– 8.6	6
6	Mountain	–12.1	5
7	S. Atlantic	–12.5	7

Figure 4

GRAPHICS: CUSTOM COLOR VISUALS

AT RETAIL *continued*

recording the largest percentage gain for the year-to-date. In the lagging South Atlantic area, Virginia had the largest decline.

Overall, it seemed that the RV market stopped to take a breath in August. The motorhome market, which advanced by 15.6% in July compared with July 1988, dropped back with a 13.8% decrease in August compared with the same month a year ago. However, the RV-trailer market's August sales did show some improvement over its July 1989 tally.

The market may be experiencing the effect of low dealer inventory. As of August, the industry had experienced a number of months with strong retail and weak wholesale figures. This meant that there had been a selling off of inventory. But if dealers bring down inventories too far, there may be delays in supplying units at the retail level or, at worst, lost retail sales. Inventory levels present a balancing problem that both the RV-trailer and motorhome markets will be forced to deal with in the 1990-model year. Δ

Thomas Walworth is general manager of Statistical Surveys Inc., Grand Rapids, Mich., which has reported retail statistics for 30 years to the RV industry.

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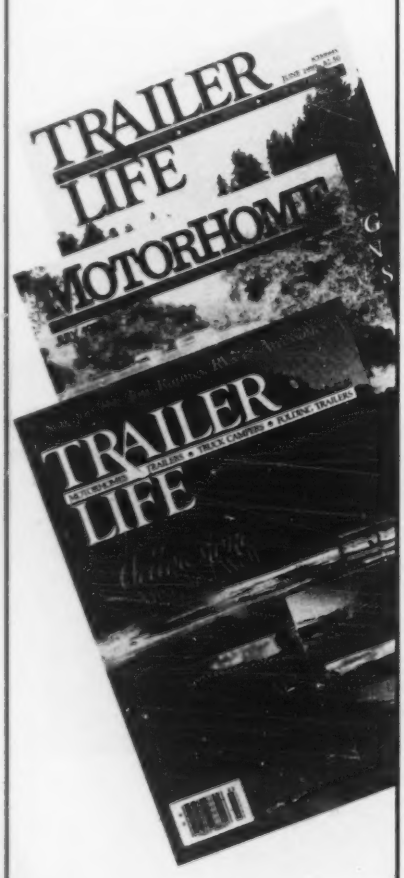

BLUE CHIP CONSENSUS

'90 GNP GROWTH FORECAST IS LOWERED

ROBERT J. EGGERT SR.

For the second month running, the November consensus forecast of 1989 real gross national product (GNP)—for year-over-year, inflation-adjusted GNP growth—came in at 2.9%. This estimate was just four-tenths of a percentage point higher than the October 1988 consensus forecast for 1989 growth.

Meanwhile, the consensus forecast of the nation's real output of goods and services in 1990 dropped a tenth of a percentage point in November to a sluggish 1.7%. About half of our panel members cut their forecasts of real growth next year, with many citing the recent disappointing trade figures and continued slow growth in the nation's money supply.

Outlook on Inflation

Though prospects for economic growth this year and next either held steady or deteriorated a bit, the outlook for inflation continued to improve. The consensus forecast of the year-over-year percent change in both the 1989 GNP implicit price deflator and the Consumer Price Index (CPI) fell one-tenth of a percentage point to 4.2% and 4.8%, respectively. On an even brighter note, consensus forecasts of expected change in both the deflator and CPI during 1990 fell two-tenths of a percentage point, to 4.0% and 4.2%, respectively.

Recession's Start Date Delayed

What did the Blue Chip panel say about the timing of the next recession? November's results are shown below, along with the results of our polls taken in May and August 1989. The consensus panel members' prognoses of the year in which the next recession will begin are expressed as percentages of those who responded to our polls. *(See chart below.)*

By November, several of the panel members who had expected a recession to begin in 1989 or 1990 were pushing it into the future by a year or more. But, they were standing by their earlier forecast that, when it does come, it will last between two and four quarters, and will be milder than the 1982 downturn in real growth.

Interest Rates to Ease More

The Blue Chip Consensus expected short-term interest rates to decline another one-half percent from recent levels by the second quarter of 1990. Long-term rates were also expected to soften, but by a lesser amount.

A sluggish economy and a moderate drop in consumer prices were the major factors suggesting a weakness in the cost of money.

Eggert's Summary

The consensus continues to forecast that the U.S. economic engine will just chug along in low gear next year. The possibility of the start of a recession still remains—though it's generally expected to be short and mild. Vigilance is still the watchword! Δ

Robert J. Eggert Sr., president of Eggert Economic Enterprises Inc., derives his unique forecasting method from a monthly telephone polling of top economists. His address is P.O. Box 1569, Sedona, Ariz. 86336; (800) 282-4883.

	Latest Poll	What They Said In:	
Year	November	August	May
1989	06%	25%	21%
1990	29	30	47
1991	35	27	19
1992 or beyond	30	18	13
Number responding:	50	44	52